

TONGASS NATIONAL FOREST PLAN AMENDMENT
OBJECTION RESOLUTION MEETING

VOLUME VI

KTOO Television Station

Media Room

Juneau, Alaska

October 19, 2016

BEFORE:

REVIEWING OFFICER BETH PENDLETON;

REGIONAL FORESTER ALASKA

EARL STEWART, TONGASS FOREST SUPERVISOR

FACILITATOR: JAN CAULFIELD

<p style="text-align: right;">Page 626</p> <p>1 PROCEEDINGS 2 (Juneau, Alaska - 10/19/2016) 3 (On record) 4 MS. CAULFIELD: Good morning. I guess 5 we'll get started. This is Jan Caulfield, the 6 facilitator for the meeting this morning. This is our 7 final day of meetings related to the Tongass National 8 Forest Plan Amendment Objection Resolution Process. 9 For those of you on the phone, the agenda is available 10 online at the Tongass Forest Plan Amendment website. 11 Just to go over that briefly this 12 morning, we're going to be talking about the impacts of 13 the Amended Forest Plan on mining. We have up to an 14 hour on that topic. Frank Bergstrom from the Alaska 15 Miners Association will take the lead on that in just a 16 moment in terms of some opening comments and then we'll 17 open for discussion among those who have the status of 18 objectors and interested persons in this process. 19 Then we will break through lunch and we 20 will start at 1:30 with the issue of market demand and 21 that will be the concluding session of the Objection 22 Review meetings this afternoon. So that's what we have 23 planned for our day. 24 I thought we'd just start with a quick 25 round of introductions of people here in the room and</p>	<p style="text-align: right;">Page 628</p> <p>1 Lisowski. I'm a Director of Ecosystem Planning and 2 Budget for the Alaska Region out here in Juneau. 3 MS. FENSTER: Good morning. I'm Dru 4 Fenster. I'm a Public Affairs Specialist in the 5 Regional Office here in Juneau. 6 MS. CAULFIELD: Thanks. Frank. 7 MR. BERGSTROM: Frank Bergstrom, Alaska 8 Miners Association and First Things First. 9 MR. CLARK: Jim Clark. 10 MR. WALDO: Tom Waldo, Earthjustice. 11 MR. WILLIAMS: Austin Williams, Trout 12 Unlimited. 13 MS. CAULFIELD: Okay, thanks you all. 14 Are there any objectors or interested persons that are 15 on the phone this morning that are joining us if you'd 16 like to say good morning. 17 MR. GRIMM: Bob Grimm with Alaska Power 18 and Telephone. 19 MS. ARAUJO: Jaeleen Araujo with 20 Sealaska. 21 MS. CAULFIELD: Thank you, Jaeleen. 22 MR. GALLEGOS: Tony Gallegos with 23 Ketchikan Indian Community. 24 MS. TRAINOR: Meredith Trainor with the 25 Southeast Alaska Conservation Council.</p>
<p style="text-align: right;">Page 627</p> <p>1 then we'll go to the phone and see who's on the phone. 2 Beth, let me just start with you. 3 MS. PENDLETON: Good morning. I'm Beth 4 Pendleton. I'm the Regional Forester for the Forest 5 Service, Alaska Region, and also serving as the 6 Objection Resolution as the Reviewing Officer. 7 MR. STEWART: Good morning. My name is 8 Earl Stewart. I'm the Forest Supervisor for the 9 Tongass National Forest and the Responsible Official 10 for the Forest Plan Amendment. 11 MS. CAULFIELD: Thanks. Why don't we go ahead. 12 MR. FRENCH: Good morning. My name is 13 Chris French. I'm the director of Ecosystem Management 14 Coordination in our National office in Washington, D.C. 15 MS. TYE: Cathy Tye, the Inventory and 16 Monitoring Program Coordinator for the Tongass as well 17 as wildlife biologist for the IDT. 18 MS. HOWLE: Susan Howle, 19 Interdisciplinary Team Leader for the Forest Plan 20 Amendment and project manager. 21 MS. DALE: Good morning. I'm Robin 22 Dale. I'm a group leader for Administrative Reviews, 23 Litigation and FOIA for the Regional Office here in 24 Juneau. 25 MS. LISOWSKI: Good morning. I'm Maria</p>	<p style="text-align: right;">Page 629</p> <p>1 MR. KIRKWOOD: Dan Kirkwood, Alaska 2 Wilderness League. 3 MR. SILVER: Steve Silver. I'm just on 4 the phone. I wanted to identify myself. 5 MS. CAULFIELD: Okay. Good morning, 6 Steve. Frank, we're going to go ahead and turn it over 7 to you for an initial comment and then we'll open up 8 for discussion. Thanks. 9 MR. BERGSTROM: This might take a 10 minute or two. Absent from the proposed Tongass 11 Transition revision to the 2008 Tongass Land Plan is an 12 updated discussion of mineral development as required 13 by NEPA and as requested by AMA, First Things First, 14 and other commentors. There was no discussion of the 15 impacts of the Roadless Rule on mining, so there has 16 not been any discussion of the impacts. 17 Our proposed resolution is a Mineral 18 and Strategic Mineral LUD that should be added to the 19 Transition Plan ROD to promote and support mineral and 20 strategic mineral exploration and development, 21 including related access roads, consistent with 22 National Security and National Strategic Mineral 23 Policies and the 1872 Mining Act. 24 The Mineral and Strategic Mineral LUD 25 would take precedence over any underlying LUD subject</p>

<p style="text-align: right;">Page 630</p> <p>1 to applicable laws. As such, it would represent a</p> <p>2 window through the underlying LUD through which</p> <p>3 minerals and strategic minerals could be accessed and</p> <p>4 developed.</p> <p>5 The term reasonable access should be defined by</p> <p>6 specific standards and guidelines that would provide</p> <p>7 timely issuance of Forest Service Special Use Permits</p> <p>8 to authorize the type of access needed, including</p> <p>9 roads, to explore and develop mineral resources.</p> <p>10 Some facts here are that Southeast</p> <p>11 Alaska currently enjoys two major mines. Both utilize</p> <p>12 underground mining methods such that surface expression</p> <p>13 of the mine is minimal. Greens Creek is located on</p> <p>14 northern Admiralty Island's Hawk Inlet and employs 450</p> <p>15 company and contract employees and has total</p> <p>16 disturbance of roughly 350 acres.</p> <p>17 Kensington is the other project that's</p> <p>18 located north of Berners Bay and employs approximately</p> <p>19 330 company and contract employees and has total</p> <p>20 disturbance of roughly 110.</p> <p>21 Mining indirect employment is roughly</p> <p>22 two times the direct employment for total Greens Creek</p> <p>23 and Kensington direct and indirect employment of</p> <p>24 roughly 1,560 jobs with average salary on the order of</p> <p>25 \$100,000 per year. These are excellent jobs, excellent</p>	<p style="text-align: right;">Page 632</p> <p>1 energy. Mines tend to be in remote locations so energy</p> <p>2 is generally produced at the site.</p> <p>3 Diesel is preferred due to low initial</p> <p>4 capital cost and relative short timeline to permit.</p> <p>5 Renewable energy is generally capital</p> <p>6 intensive and untimely for project level planning.</p> <p>7 Virtually all hydro and wind energy is subsidized and</p> <p>8 amortized over time periods greater than the nominal</p> <p>9 10-year mine life needed for project financing. Mine</p> <p>10 life is generally much longer than 10 years, but the</p> <p>11 cost of identifying more resource prior to financing is</p> <p>12 unwarranted.</p> <p>13 Mine site exploration does the rest.</p> <p>14 That is mines tend to last longer than the initial</p> <p>15 reserve estimate, but for SCC purposes and other</p> <p>16 reasons you just don't get more than that prior to</p> <p>17 financing and hopefully construction.</p> <p>18 However, if renewables are available,</p> <p>19 mines are excellent customers. Mines have reliable</p> <p>20 load, mines have 100 percent onsite backup and can</p> <p>21 purchase energy on an interruptible basis. Greens Creek</p> <p>22 is an example. Kensington could be if Sweetheart Lake</p> <p>23 hydro is constructed and linked to the mine.</p> <p>24 All aspects of Mr. Clark's testimony</p> <p>25 are applicable to the difficulties of developing</p>
<p style="text-align: right;">Page 631</p> <p>1 community building jobs, excellent property tax paying</p> <p>2 jobs.</p> <p>3 As has been discussed in these</p> <p>4 proceedings, the areal extent of mine development would</p> <p>5 be consider minor to inconsequential as regards timber</p> <p>6 management. While mineral development needs a lot of</p> <p>7 land to search, realized development is quite limited.</p> <p>8 Other known mineral occurrences under</p> <p>9 exploration and development include Niblack copper,</p> <p>10 Bokan Mountain/Dotson Ridge rare earth minerals, Kasaan</p> <p>11 and Snettisham iron, Hebert Glacier gold, and many</p> <p>12 other historic and current prospects.</p> <p>13 Southeast Alaska, in the parlance of</p> <p>14 the mining industry, is elephant country. Agencies of</p> <p>15 the United States, including the Forest Service, Bureau</p> <p>16 of Land Management, Geological Survey, the State of</p> <p>17 Alaska Department of Natural Resources and private</p> <p>18 developers have documented various inventories of</p> <p>19 mineral occurrences, permissive geology, geophysical</p> <p>20 anomalies, and soil and sediment mineral anomalies,</p> <p>21 whose ubiquitous extent is documented in databases such</p> <p>22 as is published by the USGS. Hardly a corner of</p> <p>23 Southeast Alaska does not show evidence of</p> <p>24 mineralization of some kind.</p> <p>25 Now mineral development requires</p>	<p style="text-align: right;">Page 633</p> <p>1 renewable energy, for which mine development is a</p> <p>2 backbone load, exceeding total loads to all but the</p> <p>3 largest communities of Southeast Alaska, i.e. in the</p> <p>4 tens of megawatts.</p> <p>5 New technologies recently show promise</p> <p>6 and continue to reduce the environmental footprint of</p> <p>7 mines, including ore sorting by x-ray diffraction and</p> <p>8 other fluorescents, other x-ray technologies.</p> <p>9 Recycling technologies for precise</p> <p>10 selection of conveyed material based on sorting</p> <p>11 information. Less material needs to be milled and less</p> <p>12 tailings produced.</p> <p>13 Greater opportunities for mine backfill</p> <p>14 of tailings. Dry stack tailings storage. Automation</p> <p>15 and connectivity of mine operations. Offsite</p> <p>16 processing of concentrates due to tidewater locations</p> <p>17 and shipping, which is a true benefit of Southeast</p> <p>18 Alaska and it's maritime positioning.</p> <p>19 The mining business model is varied,</p> <p>20 but can include three parts: Exploration companies,</p> <p>21 such as Avalon Development in Fairbanks, know the</p> <p>22 geology, collect surface samples, and acquire land</p> <p>23 positions. Junior mining companies, such as Mill Rock</p> <p>24 Resources, assemble land positions, drill to determine</p> <p>25 mineralization at depth, and model mineral resources</p>

<p style="text-align: right;">Page 634</p> <p>1 and continuity. Major mining companies, such as Hecla, 2 Coeur d Alene, Sumitomo Metals, Teck, and Kinross buy 3 resources and convert to reserves for mine development 4 financing. 5 Paramount is land access. Major 6 Federal Government Access Restrictions have been added 7 since promulgation of the 2008 Amended Forest Plan. 8 The discussion about mining in the 9 Transition Plan Amendment is limited to a description 10 of the current situation and the access that is 11 authorized by the 1872 Mining Act. It says nothing 12 about the impacts on mining arising out of the major 13 Federal government policy changes that have materially 14 and adversely affected access for mining that have been 15 overlain on the 2008 Amended Tongass Land and Resource 16 Management Plan since it was promulgated in January 17 2008. 18 Including the 2001 Roadless Rule 19 covering 9.6 million acres that was applied to the 20 previously exempt Tongass by court order in March 2011. 21 By restricting road access and prohibiting timber 22 harvest within Inventoried Roadless Areas, the 2001 23 Roadless Rule has restricted AMA's members' ability to 24 prospect, explore for, and develop new mines or develop 25 hydropower to support these endeavors on the 9.6</p>	<p style="text-align: right;">Page 636</p> <p>1 process, recognizing that mineral development may occur 2 concurrently or sequentially with other resource uses. 3 The policy is to ensure that only 4 certified mineral examiners perform investigations and 5 prepare reports which require the examination of the 6 mineral and geologic character of the land; i.e., 7 reproducible science. 8 The policy says to plan and provide for 9 access to and occupancy of National Forest System lands 10 for mineral resource activities, consistent with the 11 overall management objectives and the rights granted 12 through statutes, leases, licenses, and permits. 13 Prior to initiating the administrative 14 withdrawal of National Forest System lands from mineral 15 entry, the Forest Service must ensure the full 16 consideration of the national interest in rural 17 community development, the value of the mineral 18 resource foregone, the value of the resource or 19 improvement being protected, and the risk that the 20 renewable resources cannot be adequately protected 21 pursuant to application of the Minerals Surface Use 22 Regulations. 23 Minerals suitability classification 24 process for the Forest Service is that under Federal 25 law, a mining claim confers the right to access the</p>
<p style="text-align: right;">Page 635</p> <p>1 million acres of Tongass IRAs. 2 The President's November 3, 2015 3 memorandum calls for no net loss of land, water 4 wildlife, and other ecological resources from federal 5 actions or permitting. To reach that goal, the 6 memorandum requires the Department of Agriculture and 7 four other agencies to adopt a clear and consistent 8 approach for avoidance and minimization of, and 9 compensatory mitigation for the impacts of their 10 activities and the projects they approve. 11 The memorandum directs the agencies to 12 use landscape or watershed-scale planning in order to 13 take into account the full impacts of their decisions 14 and to pick the best spots for mitigation. Such 15 mitigation should occur ahead of projected impacts and 16 provide benefits in addition to those that would have 17 occurred from relying on proven methods. The impacts 18 on mining of these unwritten regulations must be 19 disclosed and addressed. 20 The Tongass Transition Plan is 21 inconsistent with Forest Service Minerals Program 22 Policy. The Forest Service is to ensure the 23 integration of mineral resource programs and activities 24 with the planning and management of renewable resources 25 through the land and resource management planning</p>	<p style="text-align: right;">Page 637</p> <p>1 claimed mineral. Where there is a legal right to mine 2 or extract minerals, the decision is not whether to 3 allow the activity, but instead what are the reasonable 4 requirements and conditions needed to minimize surface 5 impacts from the activity. 6 The suitability terminology used in 7 forest planning is not appropriate where suitability is 8 pre-determined. In the case of pre-existing rights, the 9 desired condition is important to determining surface 10 management conditions, including concurrent and final 11 reclamation requirements, but may not preclude mining. 12 The impact of the application of the 13 2001 Roadless Rule on the access for mining is 14 profound. While reasonable access to locatable 15 minerals is technically authorized in wilderness and 16 IRAs under 36 CFR Part 228, there are very few mines in 17 wilderness areas. 18 Even though the 2001 Roadless Rule 19 specifies reasonable rights of access may include, but 20 are not limited to, road construction and 21 reconstruction, helicopters, or other non-motorized 22 access (that's in the '08 FEIS Vol. 1) the experience 23 of the mining community is that Special Use Permits 24 authorizing road access in or near wilderness areas are 25 very difficult to obtain. For example, the Quartz Hill</p>

<p style="text-align: right;">Page 638</p> <p>1 Project was adjacent to the Misty Fjords Wilderness 2 Study Area.</p> <p>3 In 1977 the Forest Service denied a 4 Special Use Permit to U.S. Borax to construct a road 5 for a bulk sample of 5,000 tons requiring access by 6 helicopter instead. SEACC v. Watson was the opinion. 7 As the opinion shows, six years later Borax still did 8 not have a permit to build the road needed to move that 9 volume of rock.</p> <p>10 Given the paucity of transportation 11 infrastructure on the Tongass, reasonable access for 12 mining operations on the Tongass means the Transition 13 Plan Amendment should interpret reasonable access to 14 mean road access. Rock is heavy and voluminous. 15 Helicopters are expensive and often unable to haul the 16 heavy equipment required for mining exploration and 17 development. Surface roads are required to move and 18 store rock at a mining operation. Economical safe 19 movement of supplies, personnel, and materials is 20 dependent on road access and haulage. The Draft ROD 21 should include an alternative that requires that 22 reasonable access for mining operations on the Tongass 23 means road access.</p> <p>24 While the 2001 Roadless Rule allows 25 reasonable access to locatable minerals, it denies</p>	<p style="text-align: right;">Page 640</p> <p>1 This issue is not discussed in the 2 Transition Plan Amendment. The Draft ROD should 3 include an alternative that would allow access to 4 future mineral leases, including from renewable 5 geothermal resources, on the Tongass even if such 6 alternative required a modification to the Roadless 7 Rule.</p> <p>8 Mining exploration requires the 9 drilling of multiple holes to determine the subsurface 10 characteristics and extent of the mineral resource. 11 Mine development requires site clearing for buildings, 12 tailings piles, mills, and other facilities. The needed 13 level of exploration to develop a mine on the Tongass 14 National Forest would typically require the substantial 15 cutting of trees. Mine development would typically 16 require even significantly more cutting of trees.</p> <p>17 While reasonable access is technically 18 permitted in IRAs, cutting trees associated with mining 19 exploration and development does not appear to be 20 allowed. 36 CFR 294.13(b)(2) authorizes the cutting of 21 timber incidental to implementation of a management 22 activity not otherwise prohibited by this subpart.</p> <p>23 However, there is no mention of mining 24 in the examples provided in the 2001 Rule and ROD of 25 what this section authorizes. Moreover, in describing</p>
<p style="text-align: right;">Page 639</p> <p>1 access to new leases for minerals subject to the 2 Mineral Leasing Act of 1920, including geothermal 3 resources because of the potentially significant 4 environmental impacts that road construction could 5 cause to inventoried roadless areas.</p> <p>6 There is no explanation in the 2001 7 Final Roadless Rule and ROD why the access impacts to 8 IRAs associated with locatable minerals is different 9 from the access impacts to IRAs associated with 10 leasable minerals.</p> <p>11 By prohibiting road construction to 12 access future mineral leases, including from renewable 13 geothermal resources, that was previously authorized 14 under NFMA and the 1997 and 1999 TLMP, the Roadless 15 Rule withdrew land under ANILCA as defined by the 16 District Court and Federal defendants in Southeast 17 Conference vs. Vilsack.</p> <p>18 The USDA did not notify Congress nor 19 seek a joint resolution approving the withdrawal. Thus, 20 because Federal defendants ignored the Congressional 21 notice requirements of ANILCA when the Roadless Rule 22 was promulgated more than a decade ago, the Mineral 23 Leasing Act withdrawals made by the Roadless Rule are 24 illegal and must terminate as provided in ANILCA 25 paragraph 1326.</p>	<p style="text-align: right;">Page 641</p> <p>1 this section, the 2001 Rule and ROD states such 2 management activities are expected to be rare and to 3 focus on small diameter trees.</p> <p>4 The Tongass Transition Draft ROD should 5 include an alternative that would allow cutting trees 6 associated with mining exploration and development 7 access on the Tongass, even if such alternative 8 required a modification to the Roadless Rule.</p> <p>9 The 2001 Roadless Rule prohibits 10 communities such as Craig and Klawock from accessing 11 mines with a road on Prince of Wales Island, thereby 12 denying access to jobs to the residents of those 13 communities and a local workforce to Prince of Wales' 14 mines, such as Niblack and Bokan Mountain.</p> <p>15 The FEIS or SEIS should include an 16 alternative that would allow a road between Prince of 17 Wales communities and Prince of Wales mines even if 18 such alternative required a modification to the 19 Roadless Rule. This issue is not discussed in the 20 FEIS.</p> <p>21 Realistic access to mining jobs for communities must be 22 addressed in the Draft ROD with an alternative that 23 allows such road construction.</p> <p>24 As USDA pointed out in its decision to 25 exempt the Tongass in the 2003 Roadless Exemption</p>

<p style="text-align: right;">Page 642</p> <p>1 rulemaking Record of Decision, there is a need to 2 retain opportunities for the communities of Southeast 3 Alaska regarding basic access and utility 4 infrastructure. This is related primarily to road 5 systems, the state ferry system, electric utility 6 lines, and hydropower opportunities that are on the 7 horizon.</p> <p>8 This need reflects in part the overall 9 undeveloped nature of the Tongass and the relationship 10 of the 32 communities that are found within its 11 boundaries. Most, if not all, of the communities are 12 lacking in at least some of the basic access and 13 infrastructure necessary for reasonable services, 14 economic stability, and growth that almost all other 15 communities in the United States have had the 16 opportunity to develop.</p> <p>17 As stated above, our proposed 18 resolution is a Mineral and Strategic Mineral LUD that 19 should be added to the Transition Plan ROD to promote 20 and support mineral and strategic mineral exploration 21 and development, including related access roads, 22 consistent with National Security and National 23 Strategic Mineral Policies and the 1872 Mining Act.</p> <p>24 The Mineral and Strategic Mineral LUD 25 would take precedence over any underlying LUD, subject</p>	<p style="text-align: right;">Page 644</p> <p>1 to those mineral projects for which authorization is 2 deemed necessary by a Special Use Permit, to all 3 mineral proposals authorized by plans of operation in 4 areas open to mineral entry and those enjoying valid 5 existing rights.</p> <p>6 During the period before actual 7 construction of a new mineral project, the management 8 prescription of the initial LUD or LUDs underlying the 9 project area will remain applicable, but will not 10 interfere with or impede the exploration, feasibility 11 reviews, permitting and development of the mineral 12 resource. Upon initiation of construction, and during 13 project operation this Mineral Resource management 14 prescription will apply.</p> <p>15 The Mineral LUD takes precedence over 16 any underlying LUD, subject to applicable law, 17 regardless of whether the underlying LUD is an 18 Avoidance LUD or not. As such this new LUD would 19 represent a window through the underlying LUD which 20 mineral projects can be built along with road and 21 infrastructure access to such projects.</p> <p>22 Construction of mineral projects 23 outside the bounds of a mining claim may require a 24 Special Use permit, which, in turn, may require a 25 project level NEPA analysis and decision making.</p>
<p style="text-align: right;">Page 643</p> <p>1 to applicable laws). As such, it would represent a 2 window through the underlying LUD through which 3 minerals and strategic minerals could be accessed and 4 developed.</p> <p>5 The term reasonable access should be 6 defined by specific standards and guidelines that would 7 provide timely issuance of Forest Service Special Use 8 Permits to authorize the type of access needed, 9 including roads, to explore and develop mineral 10 resources.</p> <p>11 The Tongass Plan currently includes a 12 mineral LUD for a small number of known occurrences, 13 diffuse and of limited extent. These include Northern 14 Juneau Gold Belt, Greens Creek land transfer, Yakobi 15 Island which is surrounded by wilderness, Berg Mountain 16 behind Wrangell, Niblack, Bokan Mountain, Hyder which 17 is also surrounded by wilderness, Mt. Burnett on 18 Cleveland Peninsula, Dall Bay on Gravina Island, Kasaan 19 and the head of Cholmondeley Sound, Prince of Wales.</p> <p>20 AMA and First Things First Alaska 21 request a mineral overlay LUD be applied to all land 22 open to mineral entry in the case of locatable minerals 23 and wherever leasable and salable mineral may be found. 24 It would be applied to properly located and maintained 25 federal mining claims, to areas open to mineral entry,</p>	<p style="text-align: right;">Page 645</p> <p>1 Mineral projects may be located in an Avoidance LUD 2 whether or not feasible alternatives exist outside the 3 Avoidance LUD. As required by the Council of 4 Environmental Quality regulations, only reasonable 5 alternatives to the proposed mineral resource project 6 need be considered.</p> <p>7 Allow special uses and facilities 8 associated with mineral development. For application 9 of this LUD associated facility is defined as any 10 facility or corridor needed to access, develop, 11 construct, and monitor mineral projects. Examples of 12 such associated facilities include roads, vessel 13 loading or unloading facilities, wharves, tailings 14 facilities, stockpiles, warehouses, milling facilities, 15 electrical generation, housing facilities, fuel 16 storage, low voltage electrical, high voltage 17 electrical systems, pipelines of any diameter, 18 conveyors, communication equipment (including radio, 19 microwave, fiber optic cables, and high-speed 20 broadband).</p> <p>21 Allow special uses and facilities 22 associated with mineral development even if a portion 23 of the project is based on adjacent non-TNF land, such 24 as State of Alaska or private land, including 25 tidelands.</p>

<p style="text-align: right;">Page 646</p> <p>1 If the development of mineral resources 2 changes the Recreation Opportunity System setting, 3 manage recreation and tourism in accordance with the 4 new setting. 5 Following construction of mineral 6 projects, lands that are permanently cleared for such 7 projects will be considered unsuitable for timber 8 production. Again, I refer back to the minimal area 9 that we're talking about here in terms of hundreds of 10 acres. To the extent practicable, mineral projects 11 would be reclaimed to a condition consistent with 12 management for the pre-existing underlying LUD. 13 Mineral resource projects may dominate 14 the seen foreground area, yet are designed with 15 consideration for the existing form, line, color, and 16 texture of the characteristic landscape. Miners are 17 not heartless people. We live here too. We like to 18 see a nice environment. The work that I have seen done 19 of late in the last few decades is exemplary. 20 Mineral projects would be constructed 21 in an efficient, economic, and orderly manner, and be 22 designed to be compatible with the adjacent LUD to the 23 maximum extent practicable. The minimum reasonable land 24 area consistent with an efficient, safe, economic, and 25 maintainable project would be used for their</p>	<p style="text-align: right;">Page 648</p> <p>1 from your remarks. 2 MR. BERGSTROM: You're an excellent 3 note-taker. 4 MS. PENDLETON: I just have one 5 question and then would be interested in any other 6 remarks that folks may have relative to this topic, 7 Frank. My question is how does the mineral overlay LUD 8 you seek as a remedy differ from the overlay mineral 9 LUD that exists in the current Forest Plan. Help me 10 kind of understand that a little bit with regard to 11 what you're asking. 12 MR. BERGSTROM: Well, the policy is, 13 especially as to locatable minerals, that it's really 14 independent of the LUD process, it just is. When the 15 rest of the forest is under a LUD system and a 16 patchwork that it is, it's quite the mosaic of colors 17 when you look at the map. The perception is that it 18 will be managed for those things and the prescription 19 in the background fades into loss of memory. 20 So the current patchwork LUDs, as I 21 mentioned that quick list there, there's about 10 of 22 them or so, that are shown as mineral LUDs, but it's 23 just a tiny little patchwork, a minuscule footprint on 24 the forest. So we would like to see the acknowledgment 25 that even though we have authorization under the 1872</p>
<p style="text-align: right;">Page 647</p> <p>1 development. Effects on other resources would be 2 recognized and resource avoidance protection or 3 mitigation could be avoided. That concludes my 4 remarks. Thank you. 5 MS. PENDLETON: Thank you, Frank. Thank 6 you for setting some framework. I just want to ensure 7 -- I think I've captured your main objections and 8 concerns and some potential remedies. What I did here 9 was that you contend that a mineral and strategic 10 mineral LUD should be added to the Tongass Forest Plan 11 to promote and support mineral and strategic mineral 12 development as well as related road access. That would 13 be consistent with the National Security and National 14 Strategic Minerals Policy as well as the 1872 Mining 15 Act. 16 I also heard an interest in the 17 Roadless Rule and that that should be amended to 18 increase access to mining claims and development. So 19 those were kind of the two main things I think I heard. 20 You also provided quite a bit of discussion and 21 requested some definition around reasonable access and 22 that means road access. It should be supported by Plan 23 components that support reasonable access to mining 24 claims and development. 25 That's kind of the crux of what I heard</p>	<p style="text-align: right;">Page 649</p> <p>1 mining law that locatable minerals are where they are 2 and if it's open to mineral entry, it's open to mineral 3 entry and then you will manage it accordingly. It just 4 makes sense to have the redundancy of an overlay LUD 5 that says we acknowledge this. It's part of our 6 planning process as well as our statutory obligations. 7 MS. PENDLETON: Thank you. Jan, it 8 would be great to hear from some of the other objectors 9 who have a standing on this issue and any comments that 10 they might have. 11 MS. CAULFIELD: Thanks, Beth. Just 12 before we go on just to introduce Chris Maisch is here 13 from State of Alaska and Neil MacKinnon from Hyak 14 Mining, so thanks for joining us. So opening it up are 15 there others who are objectors or interested persons 16 who would like to offer comments at this time. 17 So Neil. 18 MR. MACKINNON: I might offer a comment 19 on the LUD primarily. It also is a tool that helps you 20 do your job. My experience with the people in the 21 Forest Service is you move around so much, they 22 transfer and stuff, so you lose continuity. 23 If you bring in a new person into that position, 24 they're floundering around trying to figure out which 25 way to go.</p>

<p style="text-align: right;">Page 650</p> <p>1 At least with a LUD they would have a 2 place to focus on versus going through the same 3 patchwork of management units and prescriptions and 4 rules and guidelines. It's like we start here and then 5 fit the rest in versus how do we fit this in to what we 6 have. So it really probably goes more to help you do 7 your job than anything else I would say. 8 MS. PENDLETON: Thanks, Niel. 9 MS. CAULFIELD: Any comments from 10 people in the room. Tom. 11 MR. WALDO: Thank you. Tom Waldo from 12 Earthjustice. I'll be very brief. Our comments and 13 our objections did not address mining because it was 14 not within the scope of the amendments that were 15 proposed for this planning process. We would not 16 support reopening the process and expanding it to 17 encompass that topic to address just a couple of the 18 things that have been said. 19 The effects of the Roadless Rule on 20 mining were addressed in the 2000 Roadless Rule EIS 21 that's been upheld in the courts. We discussed a lot 22 of that on Monday and I won't repeat that conversation 23 now. But I do want to clarify one thing. The Roadless 24 Rule does not prohibit cutting of trees for mines. 25 In our view, it would be inappropriate</p>	<p style="text-align: right;">Page 652</p> <p>1 flexibility to count that toward your demand target and 2 you should try and make economic use of that wood. Also 3 you might have some opportunities to use that as 4 biomass in local communities depending on the scale and 5 the size of the operation that's being discussed. 6 On that note, I'd be remiss if I didn't 7 mention today is National Bio-Energy Day, so happy Bio- 8 Energy Day. 9 (Laughter) 10 MR. MAISCH: With that I'll yield the 11 mic. Thank you. 12 MS. PENDLETON: Thank you, Chris. 13 MS. CAULFIELD: Let me check with 14 people who are on the phone. Are there any objectors 15 or interested persons on the phone who would like to 16 address this topic. Anyone on the phone? 17 (No response) 18 MS. PENDLETON: Any other comments from 19 in here? I don't have further questions, but.... 20 MS. CAULFIELD: Jim. 21 MR. CLARK: Just one thing that is 22 somewhat responsive to Tom. He's correct that the 1872 23 Mining Act is discussed in the Roadless Rule, but you 24 recall that there was a section devoted to Southeast 25 Alaska. There was a separate question in the Roadless</p>
<p style="text-align: right;">Page 651</p> <p>1 to reopen the process to have a new mineral LUD. 2 Mining does not require special treatment. Mining 3 poses significant threats to water quality and other 4 resource uses on the Forest and already enjoys 5 significant rights under the 1872 mining law that other 6 resources do not have. 7 In short, it's not necessary or 8 appropriate to reopen and expand the planning process 9 to address mining. If it is, we would want to urge 10 stronger protections for water quality and other 11 resource uses on the Forest. 12 Thank you. 13 MS. CAULFIELD: Thank you, Tom. Chris. 14 MR. MAISCH: Good morning again. It's 15 Chris Maisch with the State of Alaska. I just wanted 16 to add a couple of points to build on what Frank was 17 discussing there. I think when you do have development 18 for either access or actual development of projects, 19 certain maintain the flexibility, my favorite word over 20 the last six days, to utilize any of the timber 21 resources that are going to be removed for that mine 22 development or access. 23 I think you should be able to use any 24 wood that comes off a project like that to help meet 25 your demand in a given year so that you have</p>	<p style="text-align: right;">Page 653</p> <p>1 Rule that dealt with should we apply the Roadless Rule 2 to the Tongass or not. There had been several 3 iterations of that during the NEPA process. DEIS said 4 we'll defer it for -- we will apply it, but we'll defer 5 it for five years. The ROD changed that to say we'll 6 apply it immediately and what are the impacts of that. 7 Recognize socioeconomic impacts in 8 Southeast Alaska, but the only thing that was discussed 9 was the impacts on timber. There was no discussion on 10 mining. So you have this general discussion about the 11 1872 Mining Act allows access. 12 The 2003 exemption recognized that 13 there were other socioeconomic concerns other than 14 timber that affected the 32 communities in Southeast 15 Alaska, but there's no discussion there of the impact 16 on mining. 17 No discussion in the 1997 Plan of the 18 impact on mining, no discussion in the 2008 Amended 19 Plan. So this has just been kind of a wave your arms 20 and say that the 1872 Mining Act provides for 21 reasonable access and that takes care of it. 22 What we're proposing is that it doesn't 23 take care of it. That a discussion is required and for 24 the very reasons to a certain extent Tom raises. There 25 are various issues people have raised that contend that</p>

<p style="text-align: right;">Page 654</p> <p>1 reasonable access means helicopters. It doesn't mean 2 road access.</p> <p>3 There ought to be some standards and 4 guidelines that spell out the way in which you're going 5 to allow -- you, the Forest Service, are going to allow 6 road access so that we don't end up with unreasonable 7 situations like we did at Quartz Hill where reasonable 8 access meant taking out thousands of tons of bulk 9 sampling by helicopter. That really when you think 10 about it doesn't make sense. So ultimately a road was 11 allowed there, but it was a long process to get there.</p> <p>12 So we do think some standards and 13 guidelines are needed to help define reasonable access 14 and a mineral LUD would be the start of that definition 15 process.</p> <p>16 Thank you.</p> <p>17 MS. PENDLETON: Thank you, Jim.</p> <p>18 MS. CAULFIELD: Are there any other 19 comments on this issue from people here in the room or 20 those on the phone?</p> <p>21 (No response)</p> <p>22 MS. PENDLETON: So thank you, Frank, 23 for the additional comments. I think I've captured the 24 issues, feel I've gotten a good response to the 25 question I asked, so appreciate that.</p>	<p style="text-align: right;">Page 656</p> <p>1 planning to speak to this issue today. Let me check on 2 the phone first. Alaska Forest Association, Owen 3 Graham, are you on the phone?</p> <p>4 MR. GRAHAM: Yes, I am. Can you hear 5 me all right? I'm on a hotel speakerphone.</p> <p>6 MS. CAULFIELD: No, you sound good, 7 Owen. We can hear you in the room. I just wanted to 8 double check. Are you planning to be sort of the lead 9 speaker for the parties who are working together and 10 have designated speakers?</p> <p>11 MR. GRAHAM: Yes.</p> <p>12 MS. CAULFIELD: so my understanding is 13 then that Owen would be speaking in these initial 14 comments for Alaska Forest Association, Alaska Miners 15 Association, Alaska Power and Telephone, Jim Clark, 16 First Things First, Alaska Foundation, Hyak Mining, 17 Ketchikan Chamber of Commerce, Ketchikan Gateway 18 Borough, Governor Frank Murkowski and the Resource 19 Development Council.</p> <p>20 With that let me go ahead and ask -- 21 some of those parties are here in the room as well and 22 may participate in the discussion. If you'd go ahead 23 and introduce yourself. Alaska Miners Association.</p> <p>24 MR. BERGSTROM: Frank Bergstrom.</p> <p>25 MS. CAULFIELD: Thanks, Frank. And</p>
<p style="text-align: right;">Page 655</p> <p>1 MS. CAULFIELD: So thank you very much. 2 As I said this morning, that is our only topic for the 3 morning, so we're going to go ahead and adjourn now 4 until 1:30. We'll come back at 1:30 with the issue of 5 market demand and we'll see you all then. Thanks very 6 much for your time this morning.</p> <p>7 (Off record)</p> <p>8 (On record)</p> <p>9 MS. CAULFIELD: Welcome back everyone. 10 We're going to go ahead and get started with the last 11 afternoon of the meetings. Again, this is the Tongass 12 Forest Plan Amendment Objection Resolution meetings and 13 process. My name is Jan Caulfield. I'm just helping 14 with organization and facilitation for these meetings.</p> <p>15 So we are going to be focusing for the 16 rest of the afternoon on the issue of market demand. 17 This is an issue that was added to the agenda at the 18 request of a number of objectors, so time has been 19 built on this final day for this discussion.</p> <p>20 Before we begin I think I'm going to go 21 down the list of those parties that are objectors and 22 interested persons who are eligible to speak to this 23 issue this afternoon. So some of you may be on the 24 phone, some of you may be here in the room. I'm going 25 to go in order and basically just asking who is</p>	<p style="text-align: right;">Page 657</p> <p>1 Frank is also here representing First Things First 2 Alaska Foundation. Alaska Power and Telephone. Bob, 3 are you on the phone?</p> <p>4 MS. CAULFIELD: Alaska Power and 5 Telephone.</p> <p>6 (No response)</p> <p>7 MS. CAULFIELD: Alaska Wilderness 8 League. Dan, are you on the phone?</p> <p>9 (No response)</p> <p>10 MS. CAULFIELD: Alcan Forest Products.</p> <p>11 MR. NICHOLS: This is Eric Nichols.</p> <p>12 I'm on the phone.</p> <p>13 MS. CAULFIELD: Thanks, Eric. Audubon 14 Alaska.</p> <p>15 (No response)</p> <p>16 MS. CAULFIELD: Cascadia Wildlands.</p> <p>17 (No response)</p> <p>18 MS. CAULFIELD: Center for Biological 19 Diversity.</p> <p>20 (No response)</p> <p>21 MS. CAULFIELD: City of Wrangell.</p> <p>22 (No response)</p> <p>23 MS. CAULFIELD: Defenders of Wildlife.</p> <p>24 MR. LAVIN: I'm here, Jan. Pat Lavin.</p> <p>25 I don't plan to make any initial statement on this</p>

<p style="text-align: right;">Page 658</p> <p>1 topic and would like to cede my time over to colleagues 2 at Earthjustice. 3 MS. CAULFIELD: Thank you, Pat. 4 Earthjustice. So, Tom, if you'd like to introduce 5 yourself. 6 MR. WALDO: Tom Waldo from Earthjustice 7 and I have been told by Defenders of Wildlife and by 8 the Greater Southeast Alaska Conservation Community and 9 SEACC that they would cede their time to me. 10 MS. CAULFIELD: Thank you, Tom. Is 11 there anyone on the phone from GEOS Institute. 12 (No response) 13 MS. CAULFIELD: Okay. Larry, would you 14 like to say good afternoon. 15 MR. EDWARDS: Larry Edwards from 16 Greenpeace. 17 MS. CAULFIELD: Thanks. Neil, would 18 you like to say good afternoon. 19 MR. MACKINNON: Neil MacKinnon, Hyak 20 Mining Company. 21 (No response) 22 MS. CAULFIELD: Thanks. Is Eric Lee on 23 the phone. 24 (No response) 25 MS. CAULFIELD: Ketchikan Chamber of</p>	<p style="text-align: right;">Page 660</p> <p>1 speak to this topic. 2 MS. CAULFIELD: Great. Thank you. And 3 Larry, like to introduce yourself. 4 MR. WEST: Larry West from The Boat 5 Company. 6 MS. CAULFIELD: Okay. And Austin. 7 MR. WILLIAMS: This is Austin Williams, 8 Trout Unlimited, and I'll only have very brief 9 comments. 10 MS. CAULFIELD: Thanks. And then I'm 11 just going to check interested persons. Any of you on 12 the phone. Denise Boggs. 13 (No response) 14 MS. CAULFIELD: Jason Custer. 15 (No response) 16 MS. CAULFIELD: Tony Gallegos. 17 (No response) 18 MS. CAULFIELD: And Ara Marderosian. 19 (No response) 20 MR. GALLEGOS: Tony Gallegos here from 21 Ketchikan Indian Community. 22 MS. CAULFIELD: Thank you, Tony. 23 MR. KIRKLAND: This is Dan Kirkland 24 from Alaska Wilderness League. No initial comments. 25 MS. CAULFIELD: Okay. Thanks, Dan.</p>
<p style="text-align: right;">Page 659</p> <p>1 Commerce. 2 (No response) 3 MS. CAULFIELD: Ketchikan Gateway 4 Borough. 5 (No response) 6 MS. CAULFIELD: Natural Resources 7 Defense Council. 8 (No response) 9 MS. CAULFIELD: Resource Development 10 Council. 11 (No response) 12 MS. CAULFIELD: Southeast Alaska 13 Conservation Council. 14 MS. TRAINOR: Yes, this is Meredith 15 Trainor on the phone. I'm ceding my time to 16 Earthjustice. 17 MS. CAULFIELD: Thanks, Meredith. And 18 Brian, Sealaska Corporation. 19 MR. KLEINHENZ: Brian Kleinhenz 20 representing Sealaska Corporation. 21 MS. CAULFIELD: Thanks. Anyone on the 22 phone from Sierra Club. 23 (No response) 24 MS. CAULFIELD: Chris, State of Alaska. 25 MR. MAISCH: Yes, State of Alaska will</p>	<p style="text-align: right;">Page 661</p> <p>1 Are you ready to begin? We'll start with some stage- 2 setting from Beth and then we'll have an opportunity 3 for those initial comments in just a moment. 4 MS. PENDLETON: Great. Thank you, Jan. 5 So my remarks for this one are a little bit longer. I 6 felt it was important to give some background and set 7 some stage with regard to the market demand. 8 The debate concerning market demand for 9 timber from the Tongass National Forest and how the 10 timber program relates to market demand has been 11 ongoing for decades. Forest Service economists with 12 the Pacific Northwest Research Station completed their 13 first study of the issue in 1990. 14 Later that year Congress enacted the 15 Tongass Timber Reform Act, which included a provision 16 stating, among other things, that the Secretary shall, 17 to the extent consistent with providing for multiple 18 use and sustained yield of all renewable forest 19 resources, seek to provide a supply of timber from the 20 Tongass that, one, meets the annual market demand for 21 timber from such Forest and, two, meets the market 22 demand from such Forest for each planning cycle. 23 Questions about how to interpret and apply this 24 direction slowed the development of procedures to 25 comply with it.</p>

<p style="text-align: right;">Page 662</p> <p>1 In the 1997 Forest Plan Record of 2 Decision the Regional Forester directed procedures be 3 developed, quote, to ensure that annual timber sale 4 offerings are consistent with market demand, close 5 quote. Those procedures were completed in 2000 and 6 have become known as the Morse Methodology after the 7 author Kathleen Morse. 8 The Morse Methodology establishes a 9 system that seeks to build and maintain sufficient 10 volume of timber under contract to allow the industry 11 to react promptly to market fluctuations. Industry 12 actions, such as annual harvest levels, are monitored 13 and timber program targets are developed by estimating 14 the amount of timber needed to replace volume harvested 15 from year to year. 16 The Morse Methodology is adaptive 17 because if harvest levels drop below expectations and 18 other factors remain constant, future timber sale 19 offerings would also be reduced to levels needed to 20 maintain the target level of volume under contract. 21 Conversely, if harvest levels rise 22 unexpectedly, future timber sale targets would also 23 increase sufficiently to ensure that the inventory of 24 volume and contract is not exhausted. 25 The Forest Service adopted the Morse</p>	<p style="text-align: right;">Page 664</p> <p>1 timber harvest, land ownership, shipping policy and 2 profile of foreign log demand. 3 PNW Research Station published new 4 demand projects. Jean Daniels is the lead author for 5 that in 2016. In support of this Forest Plan Amendment 6 effort identifying a baseline deterministic model and 7 three future scenarios representing the transition to 8 young growth, growing wood energy markets and rebound 9 in domestic housing market. 10 The baseline model however utilizes 11 historical datasets necessary to represent Southeast 12 Alaska timber markets and assumes the timber industry 13 in Southeast Alaska will remain at a post-2008 14 recession level for the next 15 years. In the baseline 15 model, 46 million board feet represents the annual 16 average timber demand for Tongass timber over the next 17 15 years with a range of 41 million board feet to 52 18 million board feet during the same time period. 19 As the Forest Plan Amendment 20 Interdisciplinary Team began the amendment process and 21 focused on timber market demand, 46 million board feet 22 was used to inform timber objectives used during the 23 planning process. The 46 million board feet projection 24 is not only represented in the baseline model, but it 25 is also represented in all three scenarios at different</p>
<p style="text-align: right;">Page 663</p> <p>1 Methodology as a means by which the Agency complies 2 year by year with the annual demand portion of the 3 Tongass Timber Reform Act seek to meet requirement. 4 Similarly, the Agency intended to 5 comply with the requirement to seek to meet demand for 6 each planning cycle through a series of annual 7 applications of the Morse Methodology. During the past 8 25 years the Forest Service's Pacific Northwest 9 Research Station has published several studies in 10 support of Tongass National Forest land management 11 planning that estimate derived demand for Southeast 12 Alaska timber. 13 The procedures developed by Morse to 14 estimate the timber offer target or supply incorporate 15 demand estimates from PNW Research Station studies as 16 one of several inputs in the annual calculation. 17 PNW Research Station derived demand 18 projections are trend projections. The Morse 19 Methodology relates these derived demand projections 20 into an annual calculation of timber sale offer levels. 21 An update of the timber demand 22 assessment was requested from the PNW Research Station 23 to inform the Tongass Plan Amendment effort. New 24 timber demand projections were also needed to 25 accommodate changes in forest policy regarding Tongass</p>	<p style="text-align: right;">Page 665</p> <p>1 points in time and these scenarios represent 2 alternative futures for timber harvest in Southeast 3 Alaska. 4 The selected alternative uses 46 5 million board feet as the projected timber sale 6 quantity or the PTSQ. It's important to know this is 7 not a ceiling, it's an estimate of the annualized 8 average amount of timber expected to be sold over a 10- 9 year period in order to seek to meet current planning 10 cycle demand estimates. 11 The Draft Record of Decision indicates 12 that, quote, if market conditions change or the Amended 13 Forest Plan containing components utilizing this PTSQ 14 inhibits timber supply, another amendment may be 15 necessary to address these unanticipated circumstances, 16 close quote. That's in the Draft Record of Decision on 17 Page 29. 18 So market demand continues to be a 19 controversial issue on the Tongass as evidenced in the 20 objections received on the Plan Amendment. Issues 21 raised in the objections include concerns on both sides 22 of the market demand issue. Some objectors contend the 23 Pacific Northwest Daniels report and the Morse 24 Methodology do not accurately analyze the market demand 25 for Tongass timber and the Forest Service will fail to</p>

<p style="text-align: right;">Page 666</p> <p>1 provide a supply of timber that meets or even seeks to 2 meet the demand for Tongass timber on an annual or 3 planning cycle basis. 4 Other objectors contend the PNW Daniels 5 report overestimated demand and that the Forest Service 6 wrongly uses inflated projection for all alternatives 7 analyzed in the Plan Amendment. 8 I know many of you have things to say 9 with regard to this topic. What would be really 10 helpful is if you would also address in your remarks 11 what you see as a helpful remedy. 12 Thank you. 13 MS. CAULFIELD: Thank you, Beth. Jim. 14 MR. CLARK: In your remarks, Beth, were 15 you referring to economic timber or just timber? Thank 16 you. 17 MS. PENDLETON: I'm going to turn to 18 our economist to address that. We have Nicole Grewe on 19 the phone. 20 DR. GREWE: Hi, Beth. I heard the 21 question whether we were referring to timber or 22 economic timber. I would suggest that your statement 23 that you just provided is you're referring to timber 24 generally. 25 MS. PENDLETON: Thank you, Nicole.</p>	<p style="text-align: right;">Page 668</p> <p>1 harvest levels from that period of time there's hardly 2 any measure of the demand that we had for timber during 3 that period of time, nor is it any measure of what our 4 future demand for timber is. 5 In 1991 the TTRA report to Congress was 6 prepared by the Urlin Group. Past harvest levels as an 7 indicator of timber demand result in a self-fulfilling 8 prophesy of ever decreasing timber harvest. Sure 9 enough the Forest Service Brooks & Haynes Group 10 prepared a number of demand estimates in the ensuing 11 years and as the timber supply shortage forced more and 12 more companies out of business, the demand estimates 13 fell lower and lower and the Forest Service adjusted 14 its timber preparation targets lower and lower. Some 15 of the numbers I wrote down. '92 the Brooks & Haynes 16 projected 502.8 million board feet. In '95 they 17 dropped it to 335 million presumably after the Sitka 18 Pulp Mill closed. In 1997, Brooks & Haynes proposed a 19 range of 132 to 323, pretty wide range. In '97, the 20 Forest Service prepared the updated TLMP and set an ASQ 21 of 267, but it was 267 net plus utility for the first 22 time they counted utility. The actual Net Scribner 23 volume would have been something closer to 232, which 24 was roughly in the middle of the Brooks & Haynes range 25 for that demand estimate for that year.</p>
<p style="text-align: right;">Page 667</p> <p>1 MS. CAULFIELD: Just a reminder we have 2 a few objectors who are here for the first time this 3 afternoon so just to lay the structure out a little bit 4 we are going to hear initial comments from any objector 5 or interested person who wants to offer those. If 6 you're speaking just for your own organization as an 7 objector, we have a maximum of five minutes for those 8 introductory remarks and Dru is going to help us with 9 letting you know when you have one minute left. 10 Several of you have indicated that 11 you're speaking for more than one party and usually 15 12 or 20 minutes has been sufficient. So that's what we'll 13 do. After each objector has had an opportunity to do 14 so, then we'll give it back to Beth to open it up for 15 discussion with some more focused questions. As you 16 know, we really look forward to that opportunity for 17 discussion between you all and Beth. 18 We've also been going alphabetically 19 down the list so we'll keep doing it that way. With 20 that said, Alaska Forest Association, Owen Graham, 21 we're ready for your initial comments. Thank you. 22 MR. GRAHAM: First I'd like to note 23 that we've lost three mid-size mills since 2008 simply 24 as a result of the failure of the Forest Service to 25 help its own timber sale plant. So using the actual</p>	<p style="text-align: right;">Page 669</p> <p>1 After the Forest Service adopted the 2 Conservation Strategy, they began preparing timber 3 sales that were extremely uneconomic. Many of those 4 sales were more than 100 dollars a thousand deficit. 5 When the industry declined to go broke trying to buy 6 and operate those sales, some groups began alleging 7 that that was an indication of a lack of demand. 8 Finally the Forest Service was unable 9 or unwilling to fix that problem, so finally Congress 10 stepped in and forbid the offering of deficit timber 11 sales and that prohibition is still in place. 12 In 2004, as part of the '97 TLMP five- 13 year review document, the Forest Service made a number 14 of important findings. One of them I'll quote local 15 Southeast Alaska saw mills figured out years ago that 16 they could not compete in the domestic marketplace by 17 just producing dimension rough-cut green lumber. Those 18 Southeast Alaska mills still in business figured out 19 that new niche markets had to be found and exploited. 20 Those niche markets are now in place for hemlock and 21 spruce and growing for Western red cedar and starting 22 for Alaska yellow cedar. 23 I quote again, interestingly for 24 Southeast Alaska Congress understood the necessity of 25 raw material supply for an industry to be sustainable</p>

<p style="text-align: right;">Page 670</p> <p>1 and profitable since the 1940s. The 1947 Tongass 2 Timber Act was passed to establish the ability of 3 providing 50-year long-term timber contracts so that 4 the investors would have certainty of supply and be 5 willing to invest in the infrastructure to provide for 6 an integrated industry that we'd utilize the wood that 7 was available.</p> <p>8 Again I quote, future demand for 9 Tongass timber had a high degree of uncertainty. To 10 further complicate that uncertainty in hindsight, the 11 Forest Service should have, but did not, recognize that 12 timber sales they made available for bid were likely 13 predictable as to whether or not they would receive a 14 bid. The delivered log cost to the mill turns out to 15 be a very strong indicator as shown in the table below.</p> <p>16 Table 1 and Table 2 clearly show that 17 if the Tongass National Forest offers timber for sale 18 with a delivered log cost to the mill of less than \$300 19 per thousand, they will almost always sell under almost 20 all market conditions and if the timber is offered for 21 sale with a delivered log cost substantially more than 22 \$300 a thousand, they almost always won't sell.</p> <p>23 That's the end of the quote, but this 24 is why the industry has repeatedly asked the Forest 25 Service to address the constraints in the 2008 TLMP</p>	<p style="text-align: right;">Page 672</p> <p>1 admits that that young growth lumber can't be 2 substituted in place of the high-value lumber to the 3 same customers.</p> <p>4 But setting aside, you know, she seemed 5 to think the shop grade lumber is going overseas. It's 6 not. But what in effect she's seeing is that the 7 transition decision will force the mills to be 8 unprofitable and go out of business, therefore there 9 will be less demand in the future.</p> <p>10 I don't believe anybody honestly could 11 have assumed that that's what Congress intended when 12 they passed the Tongass Timber Reform Act. The whole 13 logic is really faulty. The demand for products like 14 shop lumber and other products is enormous. It's huge 15 and unaffected by whether Alaska produces any of those 16 products. We're not going to affect the demand for 17 lumber products as Daniels assumes.</p> <p>18 Daniels then adopted a concept of 19 residual demand where she estimates the demand for 20 products from Southeast Alaska somehow. And then she 21 subtracts the estimated volume of State and private 22 timber to arrive at a shortfall that Federal timber 23 must meet. That's not what Congress intended either.</p> <p>24 Even then, Daniels' estimate of demand 25 for products is based on past production from a</p>
<p style="text-align: right;">Page 671</p> <p>1 that drive up timber harvest costs beyond the value of 2 the timber. The situation will be worse for the young 3 growth timber because the young growth timber values 4 are much lower and thus the young growth timber sales 5 will be even more sensitive to the harvest cost.</p> <p>6 Now Jean Daniels with her demand report 7 has fallen into the same trap of using past years 8 constrained harvest levels to project demand into the 9 future. The Daniels 2015 demand report includes a 10 number of bad assumptions and bad conclusions. For 11 instance, Daniels states in part, quote, the highest 12 cost of harvesting and transportation in remote areas 13 of Southeast Alaska have a relatively lower price 14 demanded in dimensional lumber markets limits the 15 profitability of commodity products sawn from young 16 growth, quote.</p> <p>17 I'll quote again, the Pacific Rim 18 purchasers would not be willing to substitute 19 dimensional lumber for shop lumber. That's the end of 20 that quote. Daniels basically then opines that since 21 the young growth timber will be less profitable and the 22 markets will not be willing to substitute -- will not 23 want the lumber, that lower value lumber, the demand 24 will be less. She admits that it's not going to be 25 profitable to make lumber from young growth and she</p>	<p style="text-align: right;">Page 673</p> <p>1 constrained timber supply and plus her estimates of 2 future State and private timber harvests are grossly 3 overstated, thereby understating the amount of Federal 4 timber that would be needed to meet her low estimate of 5 product demand from Southeast Alaska.</p> <p>6 Daniels also assumes that, quote, 7 existing mills will make any machinery upgrades 8 necessary for the transition, period. Well, that 9 investment assumption makes no sense particularly given 10 that Daniels admits that young growth manufacturing 11 will not be profitable and given that the 2004 Forest 12 Service report admits that a reliable supply of timber 13 is needed in order to have investments in 14 infrastructure.</p> <p>15 Next, the Transition EIS and the 16 Daniels report both fail to address -- there's a big 17 conflict between the Forest Service Morse demand 18 procedures that you just spoke about, Beth, which have 19 repeatedly called for timber offerings of about 140 20 million board feet annually and the transition proposal 21 to cap the timber supply at 46. That's just over a 22 third of what's needed annually. There's no 23 explanation of how that's reconciled.</p> <p>24 Then you could look at Page 3-497. The 25 FEIS states that the Nature Conservancy Beck report</p>

<p style="text-align: right;">Page 674</p> <p>1 identified mills in Oregon and Washington as examples 2 of the kind of mills that could produce lumber from the 3 current young growth in Southeast Alaska. Well, that 4 statement is incorrect.</p> <p>5 Actually the Beck report concluded that 6 such a mill operation would not be profitable and to 7 make it operate the Forest Service would have to 8 subsidize the logging to the tune of an estimated \$140 9 a thousand. Just the opposite of what the EIS states.</p> <p>10 The FEIS also listed the Vaagen Mill in 11 eastern Washington as another example of the kind of 12 sawmill operation that could work in young growth in 13 Southeast Alaska. Whoever wrote that in the FEIS 14 either didn't know or somehow didn't acknowledge that 15 the Vaagen Mill is only successful because it is one 16 component of an integrated manufacturing industry.</p> <p>17 The Vaagen Mill produces about the same 18 volume in chips and residuals as it does in lumber. 19 The chips are shipped to a nearby pulp mill and the 20 residuals go to a nearby biomass power plant. The mill 21 is limited to only very small logs and so the butt logs 22 from the young growth trees are sent to a nearby 23 plywood plant for peeling. Vaagen's Timber Supply also 24 includes some cedar, which is sold to a nearby facility 25 that specializes in cutting cedar.</p>	<p style="text-align: right;">Page 676</p> <p>1 MS. CAULFIELD: No, we're still here, 2 Owen. I heard that too, but we're able to hear you, so 3 please continue.</p> <p>4 MR. GRAHAM: Maybe that was a comment 5 somebody had. Anyway, Daniels in Table 17 projects a 6 utility log demand of up to 90 million board feet from 7 all ownerships, but then calculated that the utility 8 log harvest would increase the total wood fiber demand 9 to the equivalent of 234 million board feet. That's 10 not correct. Actually 90 million board feet of utility 11 log harvest would require a total timber harvest of 12 about 600 million board feet, just almost triple what 13 Daniels estimated.</p> <p>14 All of these Jean Daniels demand errors 15 might have -- probably would have been caught and 16 corrected if she'd not been ordered to wrap up her 17 report early due to trying to meet some arbitrary 18 deadline. I spoke to her personally about this and she 19 was a little frustrated she didn't have time to do a 20 better job of looking into all these issues. So I'm 21 not blaming Jean Daniels, but the report is just 22 garbage.</p> <p>23 In 1989, the Forest Service developed 24 benchmarked for the Tongass. The maximum sustainable 25 timber benchmark for the lands not set aside by</p>
<p style="text-align: right;">Page 675</p> <p>1 Southeast Alaska does not currently 2 have the benefits of this kind of manufacturing 3 integration and that's why we continued to seek higher 4 levels of timber harvest in order to support the 5 integration that these other mills have. We don't have 6 that. It won't work here and whoever writes this stuff 7 in the EIS and Jean Daniels just don't seem to 8 understand that.</p> <p>9 Next Daniels estimated that 88 percent 10 of the young growth saw mill residuals would be sold in 11 Southeast Alaska. Actually the Klawock saw mill does 12 sell chips, not residuals, but chips to the Craig 13 School and the Klawock saw mill makes bio bricks from 14 its sawdust. That's a residual. But at least 80 15 percent of all its residuals are simply landfilled at a 16 significant cost. This is the reverse of what Daniel's 17 assumption is in Scenario 2.</p> <p>18 In Scenario 2, Daniels added a market 19 for wood-based energy pursuant to some Forest Service 20 goal to support the conversion of oil heat to wood base 21 fuels. However, when Daniels estimated the harvest 22 necessary to meet this prospective demand, he made a 23 significant error.</p> <p>24 Did I lose you guys, Jan? I heard a 25 big beep.</p>	<p style="text-align: right;">Page 677</p> <p>1 Congress, go to that Forest Service report, and 1.95 2 billion board feet per year. Almost 2 billion board 3 feet per year. The Forest Service noted in that report 4 that that amount of harvest would cause no impact to 5 fish or recreation and only a modest impact on 6 wildlife.</p> <p>7 Of course we don't need and we've never 8 asked for a harvest level of 2 billion board feet per 9 year. Not even half that. But we certainly need a lot 10 more than the 46 million board foot cap that the 11 transition proposes.</p> <p>12 Social license. This is the last 13 comment I have. I've listened to several people over 14 the last couple years brag that they have social 15 license to ignore our needs and demand for timber, but 16 they're wrong. They do not have social license. The 17 power to determine social license is vested not in any 18 of us as objectors, interested parties or others. 19 Under our system of government, this is vested in 20 Congress. The social license has been legislated 21 continually over the 50 years of Alaska Statehood and 22 even before that.</p> <p>23 The U.S. Constitution, Article 4, 24 Clause 2, provides Congress with specific legislative 25 authority that Congress shall have the power to dispose</p>

<p style="text-align: right;">Page 678</p> <p>1 of and make all needful rules and regulations 2 respecting the territory or other property belonging to 3 the United States. Congress has done so repeatedly 4 since at least the Tongass Timber Act of 1947, which 5 began the U.S. Forest Service and it's still a 6 legislated duty to provide for timber harvest in 7 Southeast Alaska.</p> <p>8 ANILCA restated the obligation to 9 provide timber in 6 and 705, the National Forest Timber 10 Utilization Program which provided mandatory funding 11 and harvest levels. Congress then provided further 12 legislative direction and passing TTRA and providing 13 specific legislative requirements for the Forest 14 Service meeting market demand, which we're talking 15 about now.</p> <p>16 Congress has further showed its support 17 of the social license to continue timber harvesting 18 included old growth in its annual appropriations bills 19 that funds these programs. This so-called social 20 license belongs to Congress not to anybody else and 21 it's evidenced by continual congressional support 22 annually for funding old growth timber harvest. Any 23 statement by any party that social license for timber 24 harvest has expired is factually and legally incorrect. 25</p>	<p style="text-align: right;">Page 680</p> <p>1 demand for 2017 to 2030 is shown as 125 million board 2 feet in 2017 and 155 million feet in 2030. So to have 3 a viable timber industry the U.S. Forest Service State 4 of Alaska and Native corporations have to supply a 5 timber volume in the 125-155 million board foot range.</p> <p>6 The U.S. Forest Service looked at past 7 timber harvest levels on the State and Native 8 corporations to calculate a deficit of 46 million per 9 feet per year, which is the Plan's projected timber 10 sale quantity. The proper way of estimating State of 11 Alaska and Native corporations annual timber volumes 12 would have been to call the State of Alaska, Mental 13 Health Trust, University of Alaska and Sealaska for 14 their projected timber harvest in the future during the 15 transition period.</p> <p>16 The U.S. Forest Service has learned 17 that the past is not a reliable indicator for the four 18 landowners projected timber sale volume over the next 19 15 years. What they would have found out is State of 20 Alaska has a public announcement of a sustained timber 21 volume for future timber production. The State of 22 Alaska has a constitutionally mandated sustained timber 23 volume requirement. Mental Health Trust and University 24 of Alaska have minimal timber volumes remaining. 25 Using the Forest Service transition</p>
<p style="text-align: right;">Page 679</p> <p>1 Thank you.</p> <p>2 MS. CAULFIELD: Thank you, Owen. Let 3 me check with Alcan Forest Products. Eric, did you 4 have any initial comments that you wanted to offer?</p> <p>5 MR. NICHOLS: Yes, please.</p> <p>6 MS. CAULFIELD: Okay. We'll help 7 looking at the five minutes down here. We'll go ahead 8 and let you begin now.</p> <p>9 MR. NICHOLS: Okay. The Secretary's 10 Memorandum 1044-009 for transition, quote, moreover we 11 must do this in a way that deserves a viable timber 12 industry that provides for jobs and opportunities for 13 the residents of Southeast Alaska. So for transition 14 we must maintain a viable timber industry.</p> <p>15 The Plan does not define what a viable 16 timber industry is. We do know what it is not and it is 17 not one sawmill and normal operation in a commodity 18 market as the report advocate here. The EIS implies we 19 will have a viable timber industry if the U.S. Forest 20 Service meets the projected timber sale in the Forest 21 Plan Amendment. PTSQ is defined in the glossary. 22 Projected Timber Sale Quantity is calculated as the 23 timber demand less timber volume supplied by State of 24 Alaska and Native corporations. 25 In Table 3.22-9, the total timber</p>	<p style="text-align: right;">Page 681</p> <p>1 timber volume estimates compared to the actual 2 projected future timber volumes of these landowners you 3 have a 415 million board foot deficit on Native 4 corporation lands and 140 million board foot deficit 5 from State lands over the next 15 years of the 6 transition. This leaves a 450 million board foot per 7 year timber deficit in the U.S. Forest Service model.</p> <p>8 In order to have a viable timber 9 industry, the U.S. Forest Service has to maintain 125 10 to 155 million board foot timber volume. The U.S. 11 Forest Service calculation of predicted timber sale 12 quantity is the U.S. Forest Service makes up the timber 13 volume that is not supplied by the other landowners.</p> <p>14 So in order to have a viable timber 15 industry, the U.S. Forest Service has to supply 86 16 million board feet per year in order to comply with the 17 Secretary's memorandum that the transition has to 18 preserve a viable timber industry. At 46 billion board 19 foot timber volume per year projected a viable timber 20 industry will not be preserved</p> <p>21 Per the EIS, we have seen a continued 22 decline in timber workers since 2002. Timber under 23 contract has been declining, sawmills have closed, 24 populations in Southeast has declined, unemployment in 25 the Southeast is higher than average, wage growth has</p>

<p style="text-align: right;">Page 682</p> <p>1 been less than average. All economic indicators for 2 Southeast Alaska and for the timber industry points to 3 a death spiral.</p> <p>4 I would also like to point out that the 5 Tongass Advisory Committee did not agree to the 46 6 million board feet. We had a range of volumes from in 7 the 40's to the mid 79 board feet. The Forest 8 Supervisor at that point in time had told the TAC that 9 they would analyze both levels in the Plan, which we 10 never did see that. So the Forest Service volume is 11 not one that the TAC has agreed to.</p> <p>12 Thank you.</p> <p>13 MS. CAULFIELD: Thank you, Eric.</p> <p>14 Earthjustice, Tom Waldo.</p> <p>15 MR. WALDO: Thank you. Market demand 16 for timber on the Tongass has been in decline for over 17 40 years since timber production on the Tongass peaked 18 back in 1973, well before the National Forest 19 Management Act or ANILCA or any of these things that 20 sometimes get blamed for declining timber production in 21 the region.</p> <p>22 The fact of the matter is that real 23 economic demand for timber on the Tongass right now is 24 almost nonexistent and you can see this in the fact 25 that for the past several years the Forest Service has</p>	<p style="text-align: right;">Page 684</p> <p>1 which means that Southeast Alaska would get no local 2 processing job out of the sale.</p> <p>3 Even with those two extraordinary 4 measures, the sale only appraised at a value of 5 \$234,000, which is a fraction of the cost of the road 6 construction alone. Even with that low price tag and 7 all those extra incentives, the Agency got no bids on 8 that sale. The Forest Service has pulled a number of 9 other timber sales out of consideration because of lack 10 of industry interest as well. All of these facts are 11 telling us something. The reason these sales appraise 12 negatively and the reason there's a lack of interest in 13 them is that the costs of logging them exceeds the 14 value of the timber.</p> <p>15 If there were real economic demand for 16 these sales, the prices would be higher and the sales 17 would appraise positively and Industry would want to 18 buy them. These appraisals are effectively shouting at 19 us. They're telling us that there's a lack of economic 20 demand for timber on the Tongass.</p> <p>21 Despite this fact, the Forest Service 22 in the planning process and the Daniels study project 23 growing demand over the life of the plan amendment with 24 an average of 46 million board feet per year over the 25 next 15 years. There are a number of flaws in the</p>
<p style="text-align: right;">Page 683</p> <p>1 been struggling to design timber sales that will 2 appraise positively and that the industry wants to buy. 3 That's the same thing as saying that there's a lack of 4 demand.</p> <p>5 I want to give two recent examples. 6 One is earlier this year. The Forest Service put out 7 the Draft EIS for the Wrangell timber sale in which 8 every one of the action alternatives showed a negative 9 value.</p> <p>10 Also earlier this year the Forest 11 Service offered the North Kuiu timber sale, which I 12 believe is the biggest timber sale offered this year. 13 That timber sale came from an EIS that was prepared all 14 the way back in 2007, but the sale never got offered 15 because of a lack of interest in the sale. The only 16 reason it was able to be put up at all was because the 17 Forest Service did two extraordinary things.</p> <p>18 First, the Agency a couple years ago 19 spent at least 1.3 million dollars building the logging 20 roads for that sale. I believe the number to be higher 21 and have been trying to get that information but don't 22 have it yet. We know it was at least 1.3 million.</p> <p>23 When those roads were built at public 24 expense, the sale still wouldn't appraise positively, 25 so the Agency approved the sale for 100 percent export,</p>	<p style="text-align: right;">Page 685</p> <p>1 analysis and that I guess I agree with Owen, but the 2 one that's at the center of it is that the study 3 assumes that Southeast Alaska will retain a constant 4 share of global timber markets over time.</p> <p>5 That's an unrealistic assumption. It's 6 contrary to powerful, long-standing, economic trends 7 that have made Alaska uncompetitive in world timber 8 markets. It's the same flaw as past market demand 9 studies that have always showed level or increasing 10 demand over time. The fact of the matter is that 11 Alaska's role in global timber markets has been 12 declining for more than 40 years.</p> <p>13 I'd like to respond to a number of the 14 arguments that have been made trying to argue that 15 despite these facts that there really is demand out 16 there. One of the sort of the prominent arguments we 17 heard there was that the Forest Service has had a 18 constrained timber supply by not putting enough timber 19 out there. That's just not true and we see that through 20 the examples that we've seen this year where the Forest 21 Service has just been struggling to get timber out 22 there and hasn't been able to find any that the 23 industry wants to buy or that has a positive economic 24 value.</p> <p>25 Another argument frequently heard that</p>

<p style="text-align: right;">Page 686</p> <p>1 I want to address and this hasn't been mentioned so far 2 but is frequently in the objections and I expect to 3 come up is litigation constrains the timber supply. 4 That's a red herring. As far as I know, there's 5 nothing under injunction right now and hasn't been for 6 some time. It doesn't explain why these timber sales 7 are appraising at such a low or negative value and 8 doesn't explain the lack of industry interest in the 9 sales that are made available.</p> <p>10 The other argument that is frequently 11 raised in the objections about market demand has been 12 that the Forest Service is faulted for failing to put 13 up economic timber and that's true, but what it shows 14 is that there's a lack of demand because if there were 15 greater demand for the timber, there would be higher 16 prices and the timber would be economic and have 17 positive appraisals.</p> <p>18 You asked us to address remedies that 19 might be helpful. I have some suggestions. I'm not 20 sure you'll find them helpful, but I'll do my best. We 21 would request that the Plan Amendment drop the 22 objective of offering 46 million board feet per year 23 tied to a specific volume number.</p> <p>24 I understand the need to make 25 projections for purposes of projecting the impacts of</p>	<p style="text-align: right;">Page 688</p> <p>1 MR. CAULFIELD: Thank you, Tom. 2 Sealaska Corporation. Brian.</p> <p>3 MR. KLEINHENZ: Thanks for the 4 opportunity to comment. I'm going to attempt to be 5 pretty narrow in my comments, so I'll be brief and I'll 6 be very specific to Sealaska's concerns with the supply 7 analysis.</p> <p>8 I have to agree with Owen that the 9 supply analysis is at best flawed and at worst just 10 flat garbage. I can represent on behalf of Sealaska 11 that the volumes that were used to represent Native 12 corporation harvests over the next 20 years are far too 13 high.</p> <p>14 The way the supply analysis was 15 constructed was that Native corporation harvests were 16 analyzed, State and private, as small as they are, 17 harvests were analyzed and then the Tongass cut was 18 determined as a residual of other harvests. That means 19 that first -- the way the math worked, first came 20 Native corporation, State harvests and then finally the 21 Forest Service timber was to fill the gap of the total 22 supply number.</p> <p>23 In the Final EIS, the Native 24 corporation annual timber harvest number represented 25 was 70 million board feet per year. Now Sealaska</p>
<p style="text-align: right;">Page 687</p> <p>1 the Plan over time, but having that projection of 2 timber sale quantity shouldn't be an objective of the 3 Plan. It's hard enough to foresee what demand might be 4 in just another year or two. You certainly can't 5 expect to have an accurate projection for that in 2030, 6 which is what the Plan does, fixed in a set level in an 7 objective. The Forest Service needs to preserve some 8 flexibility to adjust to actual market conditions over 9 time.</p> <p>10 The other thing I'd like to ask or we 11 would ask is that the Forest Service discontinue these 12 heroic measures to create demand in opposition to 13 powerful market forces and specifically discontinue the 14 export policy, which ships jobs out of the region to 15 create demand and also to discontinue taxpayer-funded 16 logging roads and other subsidies that create demand 17 for timber at public expense.</p> <p>18 Instead we'd like to see the Forest 19 Service focus its budget and staff on the more 20 productive sectors of the economy, particularly fishing 21 and tourism, where there's lots and lots of demand and 22 requires no public subsidies. They also provide many 23 times more jobs than the timber industry and much 24 greater economic benefits.</p> <p>25 Thank you.</p>	<p style="text-align: right;">Page 689</p> <p>1 shares are harvest with the Forest Service on an annual 2 basis as part of the Morse Methodology. We get an 3 email or phone call every year, which we've responded 4 to every year for as long as it's been going on and we 5 report our actual sales. We've been doing this for 6 ages. The Forest Service has this information. There's 7 a long record of this information.</p> <p>8 Over the last four years, and I'm going 9 to go ahead and read the numbers we've reported for the 10 record now just to restate what the Forest Service 11 already has, in 2012 Sealaska harvested 51 million 12 board feet; 2013, 47 million board feet; 2014, only 28 13 million board feet. This year in 2015, we haven't had 14 the final number in, but we're on track to harvest 15 somewhere in the neighborhood of 46 million board feet.</p> <p>16 That's an average of 43 million board 17 feet per year compared to 70 million board feet per 18 year that's in the Final EIS. That's history, recent 19 history, that's been ignored. As many people pointed 20 out, the more reasonable approach would be to use 21 future projections.</p> <p>22 Sealaska has been very public about our 23 harvest levels. We've shared in public meetings, in 24 the press, our annual report, that going forward it's 25 our intention to harvest someplace in the order of 45</p>

<p style="text-align: right;">Page 690</p> <p>1 million board feet a year, which also comports to the 2 recent history I just shared. History and the projects 3 all tell a consistent story.</p> <p>4 I can't represent the village 5 corporations today in any more than a general sense, 6 but of the 13 village corporations in Southeast Alaska 7 the only village corporation to move any timber in the 8 last four years moved only 5 million board feet. I 9 talked to nine of the other village corporations before 10 coming here today. None of them had any plans for any 11 significant timber harvest over the next 15 to 20 12 years. None of them. Significant I mean any more than 13 about a million board feet.</p> <p>14 Therefore, Sealaska's demand number of 15 45 million is, in fact, the Native corporation demand 16 number. The supply analysis is flawed in this regard. 17 I would suggest that it be taken back, that the 18 Sealaska and the Native corporation number be changed 19 and the supply analysis be rerun. We've requested 20 tribal consultations, we've provided feedback in the 21 comments, we've provided feedback in the objection 22 letter giving the Forest Service ample time to make 23 this supply analysis right.</p> <p>24 In short, just to summarize, we'd 25 strongly recommend that the Forest Service reconsider</p>	<p style="text-align: right;">Page 692</p> <p>1 it's scenario one in the demand study outlines, you 2 have an orderly decrease of old growth over time and an 3 increase of young growth, which of course is tied 4 directly to the inventory that is ongoing and will help 5 really define when those volumes become available and 6 the timeframe. That timeframe piece also will speak to 7 the timeframe for the transition and when can it really 8 occur.</p> <p>9 So the demand study really at some 10 point you're going to have what I've referred to as a 11 trigger point or a tipping point where you really have 12 sufficient young growth logs available and that are 13 economic to actually look at what your options might be 14 for a true transition.</p> <p>15 Again, that's got to have some 16 flexibility built in because we don't have all the 17 numbers that we need yet to make some of those types of 18 projections.</p> <p>19 One of the other key things that I'd 20 like to talk about is guess the economic piece of this. 21 Again, the transmission analogy is not a bad analogy 22 actually to that part because there's so many factors 23 that go into whether a timber sale will appraise 24 positive or not.</p> <p>25 And to your point about some specific</p>
<p style="text-align: right;">Page 691</p> <p>1 the supply analysis given the over one year history of 2 sharing the correct numbers and projections for 3 Sealaska Corporation.</p> <p>4 Thank you.</p> <p>5 MS. CAULFIELD: Thank you, Brian. 6 Chris, State of Alaska.</p> <p>7 MR. MAISCH: Thank you. This is Chris 8 Maisch, Division of Forestry, State of Alaska. I'm 9 going to shorten my comments a bit because of the 10 comments you've already heard from Eric, Owen and 11 Brian, but I do still have some points that I would 12 like to make about the demand study and how it's 13 crafted.</p> <p>14 Really during this transmission -- or 15 transmission, transition. It's like a transmission. 16 It's got lots of gears in motion.</p> <p>17 (Laughter)</p> <p>18 MR. MAISCH: But during the transition 19 we're talking about two types of logs during this 20 transition. There's an old-growth log and there's a 21 young-growth log. Both these logs have very different 22 markets, different characteristics and, as such, your 23 demand study almost needs to have a demand for each of 24 those types of logs.</p> <p>25 As that transition progresses, I think</p>	<p style="text-align: right;">Page 693</p> <p>1 recommendations, I think in the TAC and other 2 discussions we've talked about five working circles in 3 the Tongass and developing an appraisal point for each 4 of those working circles. One of the biggest costs, of 5 course, is transporting the logs around Southeast 6 Alaska and the Forest Service doesn't have adequate 7 appraisal points. That in itself will go a long way 8 toward helping some of the appraisal issues.</p> <p>9 The other thing that would help is a 10 complete revamp of the appraisal process. We've been 11 talking about that. We have the potential with the 12 Good Neighbor Authority Agreement to use the State 13 appraisal process and State procedures to do both the 14 cruising, utilization on the contracts, the design and 15 layout, so it would be a very good opportunity for us 16 to help the Forest Service, mentor the Forest Service 17 if you will on some of the things that we're able to do 18 differently than you are that would help with a lot of 19 these issues in terms of appraising a positive sale.</p> <p>20 I think one of the other key things in 21 really looking through this demand study is the failure 22 to anticipate and several people have mentioned this. 23 Brian, I agree with you, it's a look forward 24 opportunity here. We know the allowable cut on the 25 State Forest. It's 13 million feet. That's the</p>

<p style="text-align: right;">Page 694</p> <p>1 maximum I can do in any given year. Of course, we 2 manage that on a 10-year rolling average. 3 The one thing the demand study does not 4 do a good job of is anticipating what kind of products 5 might become doable or feasible under the transition 6 especially with the young growth portion of this log 7 supply. 8 I'd use as an example and I mentioned 9 it earlier to cut the CLT timber and NLT timber that 10 are architectural structurally designed panels and 11 other types of wood products that allow you to do 12 things very differently in the building sector. 13 They've been developed and tested in Europe over the 14 last 20 years. That market is moving into North 15 America in a big way right now. 16 In fact, the state of Montana the 17 governor there just certified and gave an award to a 18 company that's called Smart Lamb I think it is. You 19 can Google it if you want to see what they make, but 20 they're one of the first certified producers of these 21 architectural panels in the country. 22 As the market matures here in North 23 America, the next market is Asia and that's a big 24 marketplace and has great potential and it's my hope 25 that our young growth program can play in a big way in</p>	<p style="text-align: right;">Page 696</p> <p>1 fishing, which generate another billion and a half 2 dollars annually in economic value to and within the 3 region. 4 Although the resource is extracted, the 5 extraction is largely managed by the State and 6 especially by the industry itself to ensure the 7 sustainability of the resource and requires 8 comparatively little in the way of Federal subsidy. 9 Neither fishing nor the visitor 10 industry threaten nor even impact other Tongass 11 resources or industries. Both depend on the natural 12 qualities and health of the Tongass. Yet, and this is 13 our objection, the Forest Service continues as proposed 14 in the TLMP revisions to under plan, under fund and 15 under manage relative to these industries that are 16 providing themselves currently, right now, to thrive in 17 the Tongass and that can be expected to thrive in the 18 region with the least impact on the Tongass itself or 19 on other industries long into the future. 20 Further, as evidenced by the imbalance 21 in the Tongass Advisory Committee process and now the 22 resulting proposed TLMP revisions, the Forest Service 23 continues to favor in its planning, funding and 24 management a timber industry that, for all the reasons 25 The Boat Company has previously stipulated and</p>
<p style="text-align: right;">Page 695</p> <p>1 producing those types of products here in Southeast 2 Alaska and exporting those products to these markets. 3 That's not going to happen tomorrow. This is probably 4 20 years or more out. 5 I see the yellow flag is waving, so 6 I'll try and contribute some other points I would like 7 to make during the discussion. 8 Thank you. 9 MS. PENDLETON: Thank you, Chris. The 10 Boat Company, Larry West. 11 MR. WEST: Thank you, Jan. Unlike the 12 markets for timber, which as clearly and logically 13 demonstrated by the industry exist almost exclusively 14 in other parts of the world and are only viable for 15 that industry at high levels of extraction, the Tongass 16 is the market for tourism. 17 The visitor industry generates an 18 economy in Southeast Alaska that is valued annually at 19 \$1 billion. It does not remove the resource and send 20 it elsewhere. Further, the natural, unspoiled scenic 21 wildlife and marine life values of the Tongass are 22 essential to the visitor industry. Visitors don't come 23 to the Tongass to see industry and agriculture. 24 The unspoiled watersheds of the Tongass 25 are also the resource for commercial and charter</p>	<p style="text-align: right;">Page 697</p> <p>1 qualified in prior objections, has proven itself 2 incapable of functioning without unreasonable cost to 3 American taxpayers, proven itself to be a very limited 4 sustainable economic benefit within the region and 5 proven itself unable or unwilling to conduct its 6 business in the region without unfair, unreasonable and 7 highly-problematic impacts to both the visitor and 8 fishing industries. 9 Thank you. 10 MS. CAULFIELD: Thank you, Larry. 11 Trout Unlimited, Austin Williams. 12 MR. WILLIAMS: Thanks. I'll be very 13 brief and mostly rely on our written comments and the 14 discussion that will follow here. The thrust of our 15 objection on this issue is really around how the demand 16 estimate is expressed. 17 In our view, market demand for timber 18 really needs to be expressed as a function of price and 19 cost and incorporate all of the various costs that the 20 public and the Forest Service incur in managing and 21 administering and preparing timber sales. Obviously, 22 under a demand expression as that you're not going to 23 have a fixed price, but based on that market demand 24 that includes a cost function I think it will greatly 25 inform decision-making and planning at the forest</p>

<p style="text-align: right;">Page 698</p> <p>1 level.</p> <p>2 Thank you.</p> <p>3 MS. CAULFIELD: Thank you, Austin.</p> <p>4 Ketchikan Indian Community. Excuse me, Tony. Earlier</p> <p>5 I couldn't hear you if you said you had initial</p> <p>6 comments to offer or not, but now would be the time if</p> <p>7 you do.</p> <p>8 MR. GALLEGOS: No initial comments. We</p> <p>9 may engage in the conversation.</p> <p>10 MS. CAULFIELD: Okay. Thank you for</p> <p>11 clarifying that. Let me just check, are there any</p> <p>12 objectors or interested persons on the phone that have</p> <p>13 initial comments at this time before we begin the</p> <p>14 discussion.</p> <p>15 (No response)</p> <p>16 MS. CAULFIELD: Okay. So I think with</p> <p>17 that, Beth, we're concluded on this round of initial</p> <p>18 comments. So what we're going to do is take a 10-</p> <p>19 minute break and then we'll come back and Beth has</p> <p>20 questions she'd like to enter into discussion. Thanks.</p> <p>21 (Off record)</p> <p>22 (On record)</p> <p>23 MS. CAULFIELD: Welcome back, everyone.</p> <p>24 We're going to reconvene if you could take your seats.</p> <p>25 Welcome back to those of you on the phone. It looks</p>	<p style="text-align: right;">Page 700</p> <p>1 on that harvest.</p> <p>2 So that's the first of the questions, a</p> <p>3 management approach that would monitor harvest over the</p> <p>4 next five years beginning at the effective date of the</p> <p>5 2016 Amended Plan, including a consideration of any</p> <p>6 constraints.</p> <p>7 The second part of that would be to</p> <p>8 reporting on any different or unexpected information</p> <p>9 than what was used in the amendment and whether any</p> <p>10 differences are sufficiently significant enough to</p> <p>11 warrant further review in another plan amendments.</p> <p>12 A two-part question. Let me know if I</p> <p>13 need to repeat that again. Brian.</p> <p>14 MR. KLEINHENZ: No, we wouldn't support</p> <p>15 that. Very easy for us to tell when something is wrong</p> <p>16 when you use our numbers and it needs to be fixed.</p> <p>17 MS. PENDLETON: Thank you for that.</p> <p>18 MS. CAULFIELD: Frank. It would help</p> <p>19 if you'd introduce yourself. Thanks, Frank.</p> <p>20 MR. BERGSTROM: I was going to do that.</p> <p>21 Frank Bergstrom, First Things First. In direct</p> <p>22 response to your question, the point that I picked out</p> <p>23 is the constraints. So if the Forest Service is going</p> <p>24 to monitor based on this overarching constraints of the</p> <p>25 Plan, that would be the limiting factor.</p>
<p style="text-align: right;">Page 699</p> <p>1 like we're ready, Beth. I'll turn it to you to start</p> <p>2 the discussion.</p> <p>3 MS. PENDLETON: Thank you, Jan.</p> <p>4 Thanks, folks, for your comments, your perspectives and</p> <p>5 getting into a little bit more in-depth around some of</p> <p>6 your objection points. I would say that market demand</p> <p>7 continues to be a controversial issue on the Tongass as</p> <p>8 I premised my earlier remarks with -- I think as</p> <p>9 evidenced by some of the sharing in the room here.</p> <p>10 So I do have a couple of questions that</p> <p>11 I would like to pursue with folks. One of those is</p> <p>12 whether or not -- because we've heard -- we've</p> <p>13 certainly heard some issues and concerns with regard to</p> <p>14 the demand analysis, the demand model from both sides</p> <p>15 of the issue. And some questions with regard to the</p> <p>16 numbers certainly for the Forest Service, Sealaska and</p> <p>17 other private entities, the State and what makes up the</p> <p>18 overall demand.</p> <p>19 My thoughts here are to inquire with</p> <p>20 you as to whether you would support the addition of a</p> <p>21 management approach to the Final ROD for the Plan</p> <p>22 Amendment that would commit the Forest Service to</p> <p>23 monitoring the harvest over the next three to five</p> <p>24 years beginning at the effective date of the 2016</p> <p>25 Amendment including a consideration of any constraints</p>	<p style="text-align: right;">Page 701</p> <p>1 It's like having a five-speed vehicle</p> <p>2 but you can't get out of first gear, therefore all your</p> <p>3 data will top out at first gear. So you have no</p> <p>4 measure, no ability to see what the actual demand would</p> <p>5 be if you've artificially constrained the supply to</p> <p>6 first gear.</p> <p>7 If you monitored it and allowed the</p> <p>8 system the freedom to fluctuate to its natural place,</p> <p>9 wherever that might be, which is what you're looking</p> <p>10 for, I don't know how you could get useable data unless</p> <p>11 you unconstrained the supply.</p> <p>12 MS. PENDLETON: Thanks, Frank.</p> <p>13 MS. CAULFIELD: Is there anyone on the</p> <p>14 phone who has a response for Beth on this question or</p> <p>15 two-part question.</p> <p>16 MR. NICHOLS: This is Eric Nichols with</p> <p>17 Alcan Forest Products.</p> <p>18 MS. CAULFIELD: Thanks, Eric. Please</p> <p>19 go ahead.</p> <p>20 MR. NICHOLS: I guess my concern --</p> <p>21 back to Vilsack's Memo of Agreement. You know, it says</p> <p>22 that if we are to retain the existing industry, then we</p> <p>23 have to -- it requires a reliable supply of</p> <p>24 economically viable timber.</p> <p>25 What the Forest Service is proposing</p>

<p style="text-align: right;">Page 702</p> <p>1 here just puts question into that future timber supply. 2 It takes four years of planning to put up a timber 3 sale. It takes seven years to pay off a piece of 4 equipment that we have to purchase to make this 5 transition. 6 So I'm not sure how it works when 7 you're trying to plan at the 46 million foot level and 8 all of a sudden the numbers come in that says they're 9 wildly off on the total transition. By then, the 10 industry is already in a death spiral. I don't see 11 where it maintains industry. I don't think it does 12 what the Vilsack's Memoranda or Secretary's Memoranda 13 expects the Forest Service to do, which is maintaining 14 industry, keep a viable industry and have a reliable 15 economically supply of timber. 16 Thank you. 17 MS. PENDLETON: Thank you, Eric. 18 Anybody else wish to comment. Austin. 19 MR. WILLIAMS: Thanks. Austin Williams 20 with Trout Unlimited. We would support the direction 21 as I under you describing it at least, Beth. I think 22 information like that would help future planning 23 efforts, would help inform any five-year review that 24 takes place after this Plan Amendment is implemented 25 and similar to our discussions last week in Ketchikan</p>	<p style="text-align: right;">Page 704</p> <p>1 of you who have participated over the last several 2 days, particularly to those who participated in all six 3 days. Brian asked me at the beginning if we could have 4 done this in one day and I said, no, I don't think so. 5 I think it would have probably been at least three very 6 long days. But I appreciate the flexibility, the 7 engagement and the input to me as the Reviewing 8 Officer. 9 So a couple of my reflections and I 10 think I can probably speak for most if not every person 11 in the room and on the phone. I think that we all have 12 very deeply rooted interests and passions and concerns 13 for the health and vitality of the Tongass and the 14 communities as well. And recognize the Tongass for its 15 extraordinary values, ecologically, economically, 16 socially and culturally. I also think that that's 17 reflected in all of our vocations or avocations. 18 I also have been thinking a lot as 19 we've been going through these discussions about the 20 scope of the Amendment and the transition to young 21 growth while sustaining a viable force management 22 industry as well as the renewable energy components. 23 While narrow in scope, I think the last several days 24 have really brought to light the complexity of many of 25 these issues. Certainly the concerns as they've been</p>
<p style="text-align: right;">Page 703</p> <p>1 about monitoring the socio-economic impacts of 2 management of Forest Service lands on the variety of 3 stakeholders in the region, I think this type of 4 information would be helpful to that effort from the 5 timber component. 6 MS. PENDLETON: Thanks, Austin. 7 MS. CAULFIELD: anyone else either on 8 the phone or in the room with a response to Beth's 9 question. 10 (No response) 11 MS. PENDLETON: So that's the only 12 question I have. I just wanted to do some sensing on 13 that. I appreciate the input and the thoughts and 14 we'll take those to heart as we prepare responses to 15 the issues that have been raised by objectors. 16 So thank you. 17 MS. CAULFIELD: Well, with that, that 18 will close the discussion on the issue of market demand 19 and take us to the point of closing out the entire 20 process. 21 So, Beth, what we have there is an 22 opportunity for some closing remarks from you and 23 describing what the next steps are in the process and 24 that sort of thing. 25 MS. PENDLETON: Okay. Thank you to all</p>	<p style="text-align: right;">Page 705</p> <p>1 expressed have been substantial as well as the 2 perspectives and often divergent around each of the 3 issues that have been discussed. 4 So I want to thank you foremost for 5 being here and for helping to provide input to me as a 6 Reviewing Officer so that I can best understand your 7 concerns, your objections and as I respond to those 8 objections I feel that I've gotten the information, the 9 clarity in order to do that response. So I thank you 10 for that over the last several days. 11 I want to talk a little bit too -- you 12 know, I stated at the beginning that this process is a 13 new process under the 2012 Planning Rule, so with that 14 has come an opportunity to learn and to refine and I 15 don't think just in the length and the amount of 16 discussion that we've had, but certainly it's been an 17 opportunity under the 2012 Planning Rule to, as we move 18 forward, to look at opportunities to strengthen it and 19 even improve upon this process. 20 I think that the schedule was 21 sufficiently flexible. I'm glad that we had the 22 opportunity to bring in some other topics that some of 23 you had that were outside, at least initially, of the 24 scope of some of the things that I wanted to make sure 25 that we discussed and ensure that I have that</p>

Page 706

1 understanding as I'm preparing my response. So I
2 appreciate bringing those issues and topics forward.

3 As far as the next steps go, the entire
4 proceedings of the last six days have been recorded and
5 so those transcripts will be available late next week
6 by the 28th. Those transcripts will be posted to the
7 website and available for objectors, available for the
8 public.

9 The response to your objections, which
10 each of you will receive, those are required to be
11 completed within 90 days from the end of the filing
12 period, so that final date is November 28th, so you
13 will hear from me not later than that with regard to
14 the full suite of issues that you brought forward in
15 your objections.

16 So with that I want to again just thank
17 you all for your participation over the last few days.
18 It's been very, very helpful. I also want to
19 acknowledge the assistance of Jan as our facilitator.
20 I appreciate that especially since we had so many folks
21 on the phone and really helping to get all of the
22 voices in the room and making sure that I had the
23 opportunity to hear from everybody. So appreciate that.
24 Thank you, Jan.

25 Tina, thank you as well. The proof

1 CERTIFICATE
2 UNITED STATES OF AMERICA)

3)ss.
4 STATE OF ALASKA)

5 I, Salena A. Hile, Notary Public in and
6 for the state of Alaska and reporter for Computer
7 Matrix Court Reporters, LLC, do hereby certify:

8 THAT the foregoing pages numbered 625
9 through 705 contain a full, true and correct Transcript
10 of the TONGASS NATIONAL FOREST PLAN AMENDMENT
11 OBJECTION RESOLUTION MEETING, VOLUME VI, taken
12 electronically on the 19th day of October at Juneau,
13 Alaska;

14 THAT the transcript is a true and
15 correct transcript requested to be transcribed and
16 thereafter transcribed by under my direction and
17 reduced to print to the best of our knowledge and
18 ability;

19 THAT I am not an employee, attorney, or
20 party interested in any way in this action.

21 DATED at Anchorage, Alaska, this 28th
22 day of October 2016.

23 _____
24 Salena A. Hile
25 Notary Public, State of Alaska
My Commission Expires: 09/16/18

Page 707

1 will be in the pudding with the transcripts, but thank
2 you for your assistance as well.

3 REPORTER: You're welcome.

4 MS. PENDLETON: With that I'm going to
5 adjourn the resolution meetings and again thank you for
6 your participation.

7 (Off record)

8 (END OF PROCEEDINGS)